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FOREMOST INSURANCE GROUP

MANUFACTURED HOMES

The Market Facts

Owners of manufactured homes
tell about themselves
and their homes.

A nationwide study conducted by National Family Opinion, Inc.
and sponsored by Foremost® Group of Insurance Companies

Introduction

Foremost® Group of Insurance Companies became the pioneer provider of manufactured home insurance when Foremost Insurance Company opened its doors in 1952. Foremost has become a leader in its contributions to industry growth through innovative new products designed to meet the needs of our special market.

Since 1952, Foremost has grown and prospered with the manufactured housing industry. And, as the industry has grown, so has the complexity of our business. In 1987 we began the move from a single property and casualty company to developing several companies each designed to serve important market segments.

Foremost Insurance Company, long the flagship company of the Corporation, will continue serving our core mobile home dealer market.

The new Foremost Signature Insurance Company was developed as part of Foremost's commitment and dedication to working with independent agents. This new company will be able to serve the needs of the independent agent's customer.

The grouping of these companies under the Foremost name indicates our pride and commitment to the company as well as the reputation we have established as an industry leader both in providing insurance and in supporting the entire manufactured housing industry.

One of the most significant contributions Foremost has made is in the development of a data base profile of manufactured home owners that has been built during the past nine years.

This effort began when Foremost realized the need for a comprehensive nationwide study of all manufactured home owners. Until then, only the buyers of new manufactured homes had been surveyed and profiled.

The first study was done in 1979. Response to the release of that information was so enthusiastic that additional surveys followed in 1981, 1984 and 1987.

Each study is done by National Family Opinion, Inc., an independent marketing research firm. These studies are unique in that they profile owners of all manufactured homes, whether they purchased their home new or used and regardless of the age of the home or where it was purchased.

Insights from these four studies continue to build the picture of current residents and recent buyers of manufactured homes.

This summary report is based on the information collected in late 1987 when National Family Opinion, Inc. surveyed 23,355 households for the Foremost Group of Insurance Companies.

In reading this summary, it's important to remember that it is designed to encourage an analysis of the nationwide market rather than to present a picture of the "average" manufactured home owner.

The information in this summary does indicate market trends — who is buying manufactured homes, where the market is heading, how owners of manufactured homes view their homes and their lifestyles. This picture can help in the total industry effort to change the image of both manufactured housing and the owners of these homes.

Questions this study may raise are indicative of the changing nature of the manufactured housing industry and housing markets throughout the United States.

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Who Lives in Manufactured Homes?

Changing. Complex. Diverse. This is the manufactured housing market.

For nine years, Foremost Group of Insurance Companies has researched the "average" owner of a manufactured home four times... only to conclude that there is no "typical" owner of a manufactured home. Rather, there are groups of owners: those buying starter homes, those moving up to a more luxurious home, or those seeking a low-maintenance retirement home.

On this page we begin our profile of all owners of manufactured homes. Then, on page 14 we talk about the buyers of new manufactured homes, the group that has changed the most since our last report in 1984.

This is the third time Foremost has profiled both the new manufactured home buyer and all owners of manufactured homes. We believe that a careful analysis and comparison of these three groups will help the manufactured housing industry better define just who our customers are.

Demographics of Manufactured Home Owners

Forget your stereotypes. There's no one way to characterize the owners of manufactured homes throughout the country.

On the following pages we profile the "average" owner of a manufactured home. In many cases, we compare our 1987 data with survey results from 1984 and 1981.

Age

The age distribution of manufactured home owners remains stable. The average age of owners of all manufactured homes in 1987 is 47, the same as it was in 1984. In 1981, the average age was 46.

While the percentage of owners 60 and older has dropped three percentage points since 1984, to 30% of the market, there is an increase in the percentage of owners between ages 30 and 49.

This can, in part, be attributed to a commitment to manufactured housing as a permanent home and also reflective of manufactured housing's role as an enduring housing choice.

Education

Education levels for the household heads living in manufactured homes have remained virtually unchanged since 1981 when 76% of all owners had graduated from high school. The 1987 study reports a 75% high school completion rate. Overall, 31% of all household heads surveyed in 1987 attended or completed college.

Age of Household Head	1984	1987
Less Than 30 Years	21%	20%
30-39 Years	23%	25%
40-49 Years	12%	14%
50-59 Years	12%	11%
60-69 Years	17%	15%
70 Years and Over	16%	15%
Total Percentage	101%	100%
Number Responding	7,276	16,568
Average Age	47	47

Education of Household Head	1984	1987
Attended Grade School	3%	3%
Grade School Graduate	5%	6%
Attended High School	16%	16%
High School Graduate	43%	44%
Attended College	22%	22%
College Graduate	6%	5%
College Post Graduate	5%	4%
Total Percentage	100%	100%
Number Responding	7,265	16,535

Occupation

Blue collar workers and retirees represent over half of all owners of manufactured homes, although this year's study shows a lower percentage of blue collar households than in the past.

In our 1987 survey, 29% of the household heads list blue collar jobs, a drop from 32% in 1984 and 1981. The population of retirees in the manufactured housing market remains stable at 26% since 1984.

The percentage of white collar workers who own manufactured homes is lower than in 1984. Service people, agricultural workers, military and students represent one-quarter of the market.

Occupation of Household Head

	1984	1987
Retired	26%	26%
Operator/Laborer	20%	18%
Technical/Sales/Administrative Support	12%	12%
Craftsman/Repairman	12%	11%
Managerial/Professional	10%	8%
Service	8%	7%
Student/Armed Forces/Other	9%	15%
Farming/Forestry/Fishing	4%	3%
Total Percentage	101%	100%
Number Responding	7,276	16,432

Income

Median income rose to $17,500 in the 1987 study. Income of manufactured home owners has risen steadily, from $14,500 in 1981 and $16,000 in 1984.

The percentage of households with incomes of $30,000 or more has increased by five percentage points, but there remains a high percentage (58%) of households earning less than $20,000 annually. That percentage may be particularly high because of the high percentage of retirees living on fixed incomes and divorced and widowed women who have chosen to live in a manufactured home.

Annual Household Income

	1984	1987
Less Than $10,000	27%	23%
$10,000—$19,999	37%	35%
$20,000—$29,999	22%	24%
$30,000—$39,999	9%	12%
$40,000 and Over	5%	7%
Total Percentage	100%	101%
Number Responding	7,276	16,568
Median Income Level	$16,000	$17,500

Household Size and Type

The average household size remains at 2.5 members, with one-person households making up 24% of the population, two member households, 34%; three person households, 18%; four member households, 15% and households with five or more members, 8%.

Most manufactured home households are headed by a married couple (62%) although that percentage has decreased in 1987 from 1984's 66%. Divorced and widowed women make up the next largest group, representing 24% of all owners.

Women living alone or with children or other relatives make up 28% of the owner group.

Marital Status	1984	1987
Married	66%	62%
Never Married—Female	6%	6%
Divorced—Female	10%	12%
Widowed—Female	11%	12%
Separated—Female	1%	1%
Never Married—Male	3%	3%
Divorced—Male	2%	3%
Widowed—Male	1%	1%
Separated—Male	0%	0%
Total Percentage	100%	100%
Number Responding	7,276	16,568

Family Household Designation	1984	1987
Husband and Wife	66%	62%
Male and Child/Other Relative	1%	1%
Female and Child/Other Relative	9%	10%
Male Living Alone	5%	6%
Female Living Alone	18%	18%
Male and Non-Relative	0%	1%
Female and Non-Relative	1%	2%
Total Percentage	100%	100%
Number Responding	7,276	16,568

Owner's Previous Residence and Future Plans

Almost half (49%) the owners of manufactured homes come to manufactured home living from a site-built house. Another 20% had lived in a different manufactured home, while 18% rented an apartment or townhouse.

Owners view their homes as long-term residences, and the average home owner has lived in his present home 9.3 years. Forty-two percent of those surveyed have lived in manufactured homes for 10 years or more.

Over half the owners we surveyed said they plan to live in a manufactured home indefinitely, while 12% are planning to move within one year.

Previous Residence Type

	1984	1987
Site-Built House	45%	49%
Manufactured Home	21%	20%
Apartment/Townhouse	19%	18%
With Parents/Relatives	14%	10%
Other	1%	3%
Total Percentage	100%	100%
Number Responding	7,131	16,442

Owner Attitudes and Opinions About Their Homes

Most owners (87%) of manufactured homes are satisfied with manufactured home living and 52% describe themselves as "very satisfied" with manufactured home living.

Frequently mentioned advantages focus on affordability and low maintenance costs as a major advantage. And, one-third of those surveyed view less inside and outside upkeep as an important advantage of the manufactured home lifestyle.

While home owner satisfaction levels are high, survey respondents acknowledge disadvantages in the manufactured home lifestyle. Most often cited is small size/lack of storage space (36%) and construction quality/difficult to repair (28%).

Fourteen percent of those surveyed said they find no disadvantages to manufactured home living, while only 7% find no advantages in the manufactured home lifestyle.

Major Advantages of MH Living	1984	1987
Less Expensive to Buy/Maintain/No Taxes/Low Rent	44%	55%
Less Upkeep Inside/Outside	31%	32%
Compact/Space Well Utilized/Cozy	12%	17%
Movability	12%	15%
Like Park Living/Activities/Neighbors	6%	8%
Furnished/Instant House	5%	8%
Good for Singles/Retireds/Newlyweds	4%	6%
Private/Quiet	2%	4%
Pride of Ownership/It's Mine	2%	3%
No Steps/All One Level	1%	2%
Miscellaneous	9%	20%
Number Responding*	7,004	14,651

Major Disadvantages of MH Living	1984	1987
Small Size/Lack of Storage Space	24%	36%
Construction Quality/Difficult to Repair	16%	28%
Poor Insulation/Hard to Heat/Cool	10%	15%
Fire/Storm Danger	11%	13%
Depreciates Quickly	4%	6%
Park Rental Fees	3%	5%
Zone Restrictions/Can't/Don't Own Land	4%	4%
MH Park/Restrictions/Manager	4%	4%
Appearance of MH's/Difficult to Decorate	3%	4%
No Basement/Gargage/Attic	3%	4%
Close/Noisy Neighbors/No Privacy	3%	4%
Miscellaneous	7%	12%
Number Responding*	6,978	14,009

*The percentage totals over 100% due to multiple responses.

Characteristics of Manufactured Homes

The manufactured housing industry continues to face challenges in today's housing market. Lingering stereotypes haunt our industry, especially when it becomes necessary to appear before local zoning boards or other public officials who determine community standards and housing placement.

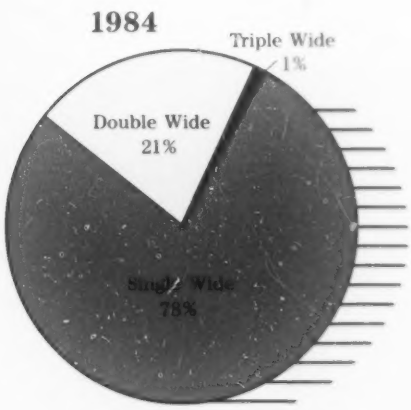
A clear picture of what manufactured housing really is can help these people better understand and appreciate the contributions manufactured housing can make to a community.

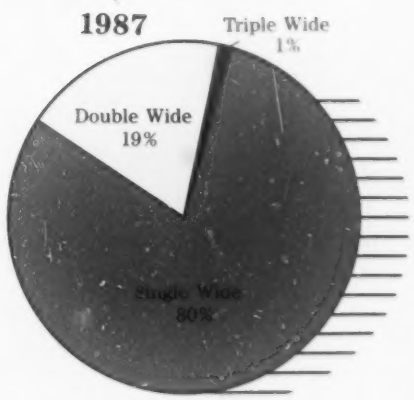
To provide that clear picture requires facts: the age of manufactured homes, how big they are, where they are located, what they look like and who really lives in a manufactured home.

Width

The single section home is still the most popular manufactured home, accounting for 80% of the market. Double and triple section homes represent one-fifth of the market, a slightly lower proportion than in 1984.

Width





Model Year

Almost half of the manufactured homes existing today are 1977 models or newer. The median model year is 1976, the year when manufacturers began building homes according to HUD standards.

However, the fact that 26% of all existing homes were built before 1972 reflects the durability of homes built without a national set of standards.

Model Year	1984	1987
Before 1972	31%	26%
1972—1976	33%	28%
1977—1981	27%	23%
1982—1988	9%	23%
Total Percentage	100%	100%
Number Responding	7,148	15,933
Median Model Year	1974	1976

Location

Manufactured homes are typically located in small to medium-sized cities with populations under half a million (79%).

The traditional manufactured home tenant park is declining in popularity, with fewer owners choosing a tenant park than they did in 1984.

Since 1984, it's become increasingly popular for manufactured home owners to locate their homes on their own property or property belonging to a friend or relative.

A continued rise in lot rents may be tied to this change. Rents have increased from an average of $93 per month in 1981, to $121 in 1984 and, most recently, $138 per month. In fact, in 1987, 17% of the park residents report paying $200 or more rent per month, up from 10% in 1984.

Manufactured Home Location	1984	1987
Park	44%	40%
Subdivision	6%	5%
Condominium/Co-Op Park	1%	1%
Owner's Private Property	34%	36%
Someone Else's Property	15%	18%
Total Percentage	100%	100%
Number Responding	7,256	16,464

Exterior Siding and Additions

While most homes are still sided with aluminum (84%), masonite and wood sidings are growing in popularity (13%).

A majority of the homes are anchored with tie-downs (65%). Home owners frequently add to their home, with a separate storage shed, 53%; an open porch or patio, 44%; a deck, 28%; an awning, 25%; a carport, 20% or unattached garage, 10%.

Wood burning stoves remain popular, with installations reported by 18% of the home owners.

Purchase Information

The facts surrounding the purchase of all existing manufactured homes are important in viewing the total manufactured housing market.

Since the resale market in any one year can exceed the number of new homes sold, it's important to look at resales in any market analysis.

And, as the stock of manufactured homes grows and older homes remain an integral part of the housing stock, resales will comprise an even larger portion of the whole market.

In our 1987 study, the median year of purchase is 1981, and 67% of the homes were purchased in 1979 or later.

Year Home was Purchased

	1984	1987
Before 1970	7%	5%
1970—1972	9%	6%
1973—1975	13%	9%
1976—1978	21%	13%
1979—1981	31%	19%
1982—1984	19%	26%
1985—1987	0%	22%
Total Percentage	100%	100%
Number Responding	7,192	16,347
Median Year Purchased	1978	1981

Purchase Source

Where the home was purchased is also part of the market analysis. Manufactured housing dealers make a majority (52%) of the sales, with private party sales of pre-owned homes representing 34% of the market.

The market has grown increasingly complex, with parks handling 5% of all sales and manufactured housing brokers and real estate agents handling another 8%.

Purchase Price and Market Value

When examining purchase price information, it's important to note that purchase price reflects all homes purchased, new or used, in the year they were purchased. Market value represents what the home would be worth if it were sold at the time of the survey.

The average purchase price reported in our 1987 study is $14,346 up $1,304 from 1984. Nearly one-fourth of all homes cost $20,000 or more, while 8% cost $30,000 or more.

However, owner estimates of the market value of their homes stand at an average of $13,989, less than the estimated market values reported in 1984.

Manufactured Home Purchase Source	1984	1987
New From Dealer	43%	44%
New From Park	5%	3%
New From Broker	4%	2%
Used From Dealer	7%	8%
Used From Private Party	33%	34%
Used From Park	2%	2%
Used From Real Estate Agent	3%	4%
Used From Broker	2%	2%
Total Percentage	99%	99%
Number Responding	7,162	15,601

	Purchase Price		Market Value	
	1984	1987	1984	1987
Less Than $ 5,000	14%	14%	17%	20%
$ 5,000—$ 9,999	31%	26%	27%	26%
$10,000—$14,999	21%	20%	18%	18%
$15,000—$19,999	15%	17%	13%	12%
$20,000—$24,999	8%	9%	8%	7%
$25,000—$29,999	5%	6%	5%	5%
$30,000—$34,999	2%	3%	3%	4%
$35,000—$39,999	2%	2%	3%	2%
$40,000 and Over	2%	3%	5%	5%
Total Percentage	100%	100%	99%	99%
Number Responding	6,440	14,962	5,768	14,427
Average	$13,042	$14,346	$14,141	$13,989

Finance Information

While a majority (65%) of the 1987 survey respondents financed their homes at purchase, only 42% are still financing their homes.

Banks account for almost half of all financing while savings and loans and credit unions account for an additional 17%.

The average finance term has increased slightly in the past three years. Longer term loans have pushed the average to 9.8 years, up from 9.4 years in 1984. Twenty-eight percent of all homes are now financed for longer than 12 years.

Finance Source	1984	1987
Bank	51%	49%
Finance Company	19%	21%
Savings & Loan	11%	11%
Credit Union	8%	6%
Mortgage Company	7%	10%
Former Owner/Land Contract	3%	2%
Other	2%	0%
Total Percentage	101%	99%
Number Responding	4,461	9,808

Finance Term	1984	1987
1–3 Years	11%	11%
4–6 Years	18%	19%
7–9 Years	16%	12%
10–12 Years	34%	30%
13–15 Years	18%	23%
16 Years and Over	4%	5%
Total Percentage	101%	100%
Number Responding	4,390	9,891
Average Finance Term	9.4	9.8

The New Home Buyer

From 1985-1987, 736,237 new manufactured homes were shipped. These new manufactured homes accounted for 35% of the new homes purchased in the United States during those years. Determining who is the new home buyer is an important part of this study.

This section analyses the purchasers of new manufactured homes by comparing the findings from the 1981, 1984 and 1987 studies. The findings in this section include only those who said they purchased a new manufactured home in:

- 1979, 1980 or 1981 for the 1981 study
- 1982, 1983 or 1984 for the 1984 study
- 1985, 1986 or 1987 for the 1987 study.

In the past, we reported on the new home buyer using shipment data representing just one year prior to the survey. We believe this new method of reporting on new manufactured housing buyers can only improve our analysis of this important market segment.

Profile of the New Home Buyer

To learn who is buying new homes and the type of home they choose is a major goal of this study. The new buyer profile has existed since 1981, and shows how these buyers have changed over time.

In 1987, our study shows a new home buyer similar to the one we discovered in 1981, and significantly different than the 1984 new buyer.

The average age of the new buyer has increased to 41.6 years, up from 38.2, reflecting an increase of 40-49 year old buyers as well as an increase of buyers 60 and over. In 1984, there was a higher percentage of buyers under 30 and fewer buyers 50 and older.

Age of Household Head

	1984	1987
Less Than 30 Years	38%	30%
30-39 Years	29%	26%
40-49 Years	10%	15%
50-59 Years	7%	10%
60 Years and Over	15%	19%
Total Percentage	99%	100%
Number Responding	617	1,345
Average Age	38.2	41.6

The age of the new buyer has shifted in 1987 and so have employment and income characteristics. In 1987, 18% of the new buyers surveyed are retired compared to 10% in 1984. Again, 1987 figures are more typical of 1981 when retirees made up 19% of the new buyer market.

Blue collar workers make up 35% of the 1987 market, down from 42% in 1984, and equal to the percentage of 1981 new buyers who reported holding blue collar jobs.

Occupation of Household Head

	1984	1987
Retired	10%	18%
Blue Collar	42%	35%
White Collar	29%	24%
Other	18%	23%
Total Percentage	99%	100%
Number Responding	617	1,332

Median income has increased in the 1987 study, up to $21,900 from $19,700 in 1984 and $18,200 in 1981. The largest gains are in the percentage of new home buyers who make $30,000 or more annually. In our 1987 study, 18% of the respondents report incomes of $30,000 to $39,999 while another 9% report incomes of $40,000 or higher.

Annual Household Income

	1984	1987
Less Than $10,000	13%	10%
$10,000—$19,999	39%	32%
$20,000—$29,999	31%	32%
$30,000—$39,999	12%	18%
$40,000 and Over	6%	9%
Total Percentage	101%	101%
Number Responding	617	1,345
Median Income Level	$19,700	$21,900

Perhaps even more important than age, occupation and income statistics are the new buyer's attitudes toward their homes.

No longer is the manufactured home a stepping stone to a site-built home. In fact, for a significant number of our respondents, this isn't the first manufactured home they've lived in, but it frequently is where they plan to stay.

Over half (54%) of the new buyers surveyed said they plan to live in their manufactured home indefinitely. Another 29% plan to live in their homes five or more years.

Many new buyers come to manufactured home living knowing the lifestyle. Thirty-six percent of the people we surveyed said their previous residence was a manufactured home. Eighteen percent rented an apartment before buying their manufactured home.

Whether they're already a manufactured home resident "moving up" to a larger manufactured home with more amenities or living in their first manufactured home, it's clear that most new home buyers look at their purchase as a long-term housing investment.

Additional Years Planning to Live in Current Manufactured Home	1984	1987
Less Than 5 Years	21%	17%
5–10 Years	24%	22%
Over 10 Years	5%	7%
Always	51%	54%
Total Percentage	101%	100%
Number Responding	594	1,294

Previous Residence Type	1984	1987
Site Built House	31%	38%
Manufactured Home	39%	36%
Apartment	18%	18%
Lived with Parents/Relatives	11%	7%
Other	1%	1%
Total Percentage	100%	100%
Number Responding	603	1,335

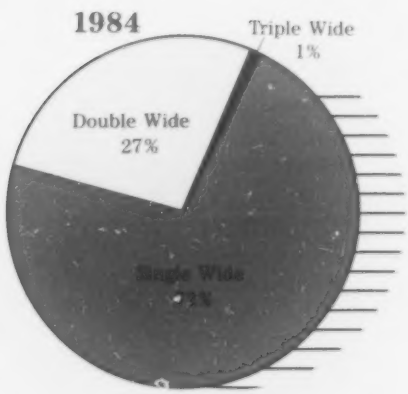
The Homes New Buyers Choose

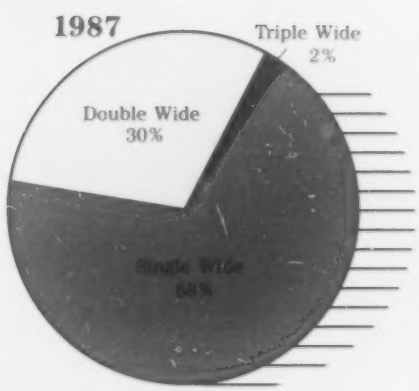
They represent all ages of the spectrum, they've made a long-term housing commitment and they're more affluent than manufactured home buyers in the past. What type of homes are these new buyers choosing?

Multi-section home sales represent 32% of the new buyer's choices, up from 28% in 1984, but down from the 35% reported in 1981. Single section homes are the most popular, taking 68% of the 1987 market.

The average purchase price of new homes rose to $23,489, up from $21,819 in 1984 and $21,130 in 1981. These figures reflect the increased percentage of multi-section homes purchased in the last three years as well as a greater percentage of homes in the $20,000 and over price range.

Width





Eighty-one percent of those studied financed their home at the time of purchase, and the average finance term is 13.8 years. This reflects 56% of new buyers with finance terms of 13-15 years.

Changes in 1987 show a greater commitment and interest on the part of the new buyer in manufactured housing. This new buyer ranges across the age spectrum, has a higher income, and represents a mix of occupations.

New buyers are purchasing more high end homes and financing their homes in large numbers. That long-term finance relationship may be indicative of an attitude that a manufactured house is indeed a home.

It's a dynamic and changing section of the market, but it's only part of the picture. It's only through analysis of new buyers combined with all owners of manufactured homes that a complete picture of the manufactured housing market evolves.

Purchase Price	1984	1987
Less Than $10,000	2%	2%
$10,000—$14,999	19%	15%
$15,000—$19,999	31%	30%
$20,000—$24,999	20%	19%
$25,000—$29,999	14%	14%
$30,000—$39,999	8%	12%
$40,000 and Over	5%	8%
Total Percentage	99%	100%
Number Responding	592	1,309
Average Purchase Price	$21,819	$23,489

Finance Term	1984	1987
1—3 Years	2%	2%
4—6 Years	3%	4%
7—9 Years	6%	4%
10—12 Years	32%	22%
13—15 Years	49%	56%
16 Years and Over	7%	11%
Total Percentage	99%	99%
Number Responding	502	1,077
Average Finance Term	13.2	13.8

Methodology

The study was conducted using National Family Opinion's (NFO) Household Sample. NFO has the largest mail consumer panel research facility in the United States. More than 375,000 cooperating households are used to make up the nationally representative panel and the reserve pool.

These households have committed themselves to answer questions, without pay, and their complete demographic profiles are on file. These panels are rebuilt by NFO every two years using updated demographic information.

Five stratified demographic and geographic variables are used to construct NFO's balanced panels. They are: geography, population density, age, income and household size. Quotas used for these demographic controls are developed from the latest available United States Bureau of the Census data.

Out of 375,000 cooperating households in NFO's panel and pool, over 23,000 are manufactured home owners and/or residents. Questionnaires were mailed to all 23,355 manufactured home owners/residents during September, 1987. Of those surveyed, 16,568 returned completed questionnaires for a usable return rate of 71%. An additional 781 respondents (3%) returned their questionnaire, but said they no longer own or live in a manufactured home.

The map in the Appendix shows the number of responses received from each state.

Weighting the Results

The results are weighted by state to reflect the current distribution of manufactured homes nationwide. The weights are based on the 1980 Census of Housing counts adjusted by two factors: shipments of new manufactured homes by state and obsolescence/destruct factors for each state. The cases are weighted during processing using the WEIGHT command of the SPSS-X Batch System which was used to perform the data analysis.

Limitation

The study is limited by the use of the panel, as opposed to a random sample of owners of manufactured homes. Since there is no countrywide list of all existing manufactured home owners available for sampling, the panel offers the only access to the entire existing market.

For information specific to your geographic region or need, contact:

Lila Krueger
Marketing Research
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(616) 942-3261

Appendix

Number of owners in each state responding to our survey.

The companies of Foremost Insurance Group are recognized as the nation's leading insurers of manufactured homes. Foremost Insurance Group consists of Foremost Insurance Company, Foremost Signature Insurance Company, Foremost County Mutual Insurance Company (Texas), Foremost Property and Casualty Insurance Company.